FILED
NOV 2 1 2003
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No. 03-536

In The Supreme Court of the United States

ENTERPRISE RENT-A-CAR COMPANY,

Petitioner,

v.

ADVANTAGE RENT-A-CAR, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

REPLY TO BRIEF IN OPPOSITION

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SUMMARY OF THE ISSUES

This case presents two issues of first impression that are very important to the dilution laws in the United States and the orderly administration of trademark rights in this country. The first issue is whether dilution under the FTDA is a valid ground for opposition when a prior user has limited and non-continuous use in a small geographic area. The second issue is whether state anti-dilution laws are valid grounds for opposition to a federal trademark registration, or whether such rights can be lost without any ability to assert them.

Advantage does not deny that this petition raises important issues of first impression, except to argue that the Fifth Circuit implicitly reached the issues in prior litigation, a position raised by Advantage below and rejected by the Federal Circuit. Advantage's opposition mostly reiterates its arguments before the Federal Circuit, but such arguments only underscore the contested nature of the significant issues raised herein that deserve this Court's attention.

REPLY

Petitioner submits this reply to briefly address certain new points offered by Advantage Rent-A-Car, Inc. in its opposition to the Petition for Writ of Certiorari.

1. Advantage Misquotes the Federal Circuit's Interpretation of the FTDA with Respect to the Meaning of "Use"

While Advantage disagrees with Enterprise's interpretation of "use" in the FTDA, its arguments only underscore that a contested issue exists on this important trademark issue. But, Advantage goes so far as to misquote the Federal Circuit's opinion in urging its adoption. The applicable portion of the FTDA states that the owner of a famous mark is entitled "to an injunction against person's

commercial use in commerce of a mark or trade name, if ***such use*** begins after the mark has become famous." 15 U.S.C. § 1125(c) (2000). *Emphasis added.*

In its Brief in Opposition, Advantage argues that "any" use prior to Enterprise's mark achieving fame would defeat an action under the FTDA, but mischaracterizes the Federal Circuit's opinion in this case. In particular, Advantage states "(T)he construction of this language by the Federal Circuit to find that 'begins' means any use, provides certainty to the small business . . ." *Advantage's Brief In Opposition, p. 9.* The Federal Circuit opinion never addresses the definition of "begins."

The actual passage from the Federal Circuit's interpretation of the term "such use" as it appears in the text of the FTDA reads:

> The term "such use" could refer to any use by the defendant in commerce. Alternatively, the reference to "such use" could refer to the particular use being challenged in the litigation. If the use being challenged were limited to a particular geographic area in which there had been no prior use to the defendant, the suit would not be barred.

Enterprise Rent-A-Car Company v. Advantage Rent-A-Car, Inc., 330 F.3d 1333 (Fed.Cir.2003). Indeed, the actual language from the Federal Circuit's opinion underscores that an ambiguity exists regarding the noted language.

Advantage's choice to depart from the true record is most significant because the phrase "such use" is central to the issue. The question remains whether the term "such use" should actually be interpreted so broadly to include "any use." This broad interpretation would allow mere token use, isolated use, or even abandoned use to defeat legitimate trademark rights. This issue and its ramifications on United States trademark law are sufficiently important to

warrant this Court's attention. Enterprise has explained its position regarding how and why the phrase should be interpreted and will not repeat those arguments.

2. Although Not Directly Pertinent to Whether Certiorari is Appropriate, Advantage Did Not Continually Use the Phrase It Is Claiming As A Trademark, Which Exemplifies the Harm Caused by the Resolution of the Issues Below

Advantage insinuates in its Opposition that it has continually used an advertisement with the phrase since 1990. *See Advantage's Brief In Opposition, p. 2.* Further, it misrepresents the nature of one of Enterprise's trial exhibits to this effect. *Id.* The truth of the matter is that when Advantage alleges "use" from 1995 to 1997, it is referring to a total of four (4) free airings of a television commercial about which Advantage had no knowledge that the four free airings even occurred. Thus, the airings were not part of Advantage's efforts to continue using the phrase, as it insinuates.

Advantage's apparent abandonment of its use of the phrase in the commercials highlights a major problem with Advantage's (and the Federal Circuit's) interpretation of the FTDA. If "any use" is allowed to defeat the dilution rights of a famous trademark owner, even uses that have been abandoned, such interpretation will frustrate the legitimate rights of famous trademark owners and undermines a long-standing principle of trademark law to the effect that priority requires continuous use. The interpretation also undermines the geographical limits of unregistered marks that later come into conflict with registered marks more prominently promoted by a junior user.

For all of Advantage's concern for certainty in the trademark arena, there is absolutely no level of certainty available to a bona fide trademark user if even abandoned uses can wipe out dilution rights. There is little, if any, reasonable search or investigation that a trademark user can

undertake to determine whether a potential trademark's valuable dilution remedies have been compromised. And, while certainty is desirable, the law rarely seeks certainty at the level advocated by Advantage because it only leads to inequitable results. If small businesses want certainty that they can expand throughout the United States with their marks, they should timely obtain a federal trademark registration to put the rest of the business community on notice of their rights. The certainty that Advantage seeks is at the expense of such notice to the business community and only leads to a windfall for a small business owner, as could occur in the present case. Advantage advocates inequity, not certainty.

Further, abandonment is not the only horror for trademark owners. In this day and age of piracy and cybersquatting, there are virtually limitless ways to hold an honest company hostage by foreclosing its dilution rights and remedies through token or targeted use on the Internet. Indeed, the decision below allows a cybersquatter to set up an innocuous website with a mark or slogan of an up-and-coming advertising campaign and then exploit the value of the ad campaign without regard to the dilution laws at a subsequent date.

3. Advantage Improperly Advocates That Mere "Adoption" of a Trademark—Rather than Commercial Use-- is the Standard Under the FTDA.

The applicable portion of the FTDA states that the owner of a famous mark is entitled "to an injunction against a person's commercial use in commerce of a mark or trade name, if ***such use*** begins after the mark has become famous." 15 U.S.C. § 1125(c) (2000). *Emphasis added.*

At several points in its Opposition, Advantage avers that it "adopted" its phrase before the Enterprise trademark became famous. See *Advantage's Brief In Opposition, p. 11, 19, and 21.* Advantage even goes so far as to place the term

"adopted" in bold letters for the Court. The statue does not, however, address the issue of adoption of a mark. The statute only discusses "use" of the mark.

Advantage advances this point in an apparent attempt to avoid the real issue of whether the language of the FTDA would allow for a cause of action (or basis of opposition) when Advantage expanded out of Texas to capitalize on Enterprise's prominent advertising campaign. Instead, Advantage would have this Court believe that mere "adoption" of a mark down in Texas is good enough to satisfy the requirements of the FTDA statute that clearly requires actual commercial use.

4. Advantage Incorrectly Argues That Res Judicata Applies, But the Federal Circuit Rejected That Argument Below

The positions claimed in Enterprise's Opposition are not barred under the doctrine of res judicata by the Fifth Circuit litigation, an argument that Advantage raised below but the Federal Circuit rejected. The Fifth Circuit litigation involved different transactional facts. Under res judicata, a party is barred from a subsequent assertion of the same transactional facts in the form of a different cause of action. *Vitaline Corp. v. General Mills, Inc.*, 891 F.2d 273, 275 (Fed.Cir.1989). Advantage argued this position below and the Federal Circuit did not adopt this position, presumably because the only case law of record did not support the position advanced by Advantage. The Federal Circuit ruled on the two issues of first impression, which led to the current Petition.

In the trademark opposition against Advantage, Enterprise is not asserting rights that were at issue in the Fifth Circuit litigation. Rather, Enterprise is asserting that it will be damaged by a nationwide registration for Advantage. The basis for this assertion is the bundle of anti-dilution rights that have not been litigated, namely, the anti-

dilution rights in those areas of the country where Advantage has not commenced use and Enterprise's mark has achieved fame.

Advantage also opines that the issue of "fame" of the Enterprise mark will lead to an avalanche of litigation and Enterprise, therefore, must be precluded by application of res judicata from determining subsequent fame of the mark. However, the treatise of noted trademark expert, J. Thomas McCarthy, disagrees. McCarthy notes that "In trademark cases, res judicata must be carefully applied, since the facts of trademark usage and consumer recognition may have changed since the prior judgment was rendered." McCarthy, J. Thomas, *McCarthy on Trademarks and Unfair Competition*, Vol. 5, §31:37 (2001). See also *Texas Pig Stands, Inc., v. Hard Rock Café Int'l, Inc.*, 951 F.2d 684 (5th Cir. 1992), reh'g, en banc, denied, 966 F.2d 956 (5th Cir. 1992) (trademark that has been determined to be descriptive can achieve acquired distinctiveness and form a basis for enforcement against the same or similar mark or registration). Under McCarthy's proper reasoning, the determination of whether a mark is famous or not could change since a judgment was rendered, and res judicata is not appropriate in such circumstances. This conclusion should be obvious because marks become more and more known, and at some point famous based on continued sales and promotion. Thus, whether a mark is famous in year-one is a different issue than whether it is famous in year-five.

5. The Concurrent Use Provisions Are Inapposite to the Issues Before the Court

Enterprise never requested that the United Stated Patent and Trademark Office issue a concurrent registration. Nor did Enterprise request that action of the Trademark Trial and Appeal Board. As such, the Concurrent Use provisions of the Lanham Act are not at issue here.

Enterprise offered examples such as *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 36 S.Ct. 357, 60 L.Ed. 713 (1916) and its current resonations in the Lanham Act to draw a rather simple analogy that trademark rights -- even in light of federal legislation -- can and should be limited by geographic considerations. That analogy remains valid even today. For years, the courts have interpreted the Lanham Act to avoid windfalls to geographically limited users that have not registered their trademark rights. There is no reason to believe that dilution laws should not be interpreted any differently. While trademark infringement protects consumers, it also protects trademark owners who invest heavily in their marks to develop goodwill. While dilution laws are more directed to protecting the trademark owner, the issue remains whether the FTDA should be interpreted to provide tremendous windfalls to geographically limited users that elect not to invest the small sum of money to federally register a mark, to the substantial detriment of legitimate businesses that spend considerable resources on nationally known marks without any knowledge of the prior user.

Despite attacks from Advantage, the logic in the analogy is strong. Advantage has produced no answer or response to indicate why its trademark rights with respect to infringement under the Lanham Act are very narrow due to its isolated use, but its trademark rights with respect to dilution somehow should be very broad and nationwide based on this same, limited and isolated use.

Finally, the case law from *Hanover* amply reflects the intent of the Lanham Act to encourage parties to federally register their marks by granting superior rights to those who obtain a federal registration and limiting those parties who sit on their rights to geographically limited rights. Equity rewards the vigilant, not those who slumber upon their rights. Advantage slumbered for nine years while Enterprise invested hundreds of millions of dollars. Advantage can

articulate no legitimate reason why it should reap this windfall.

6. The Intent of the Lanham Act is to Protect Famous Trademarks and Trademark Registrations

A. Enterprise owns the Famous Mark and a Trademark Registration

The stated purpose of the amendment of Lanham Act §13, 15 U.S.C. §1063 to include dilution under the FTDA is to "make protection of famous marks easier and more efficient". *Congressional Record,* June 22, 1999, Page S7452-S7457 (Comments of Sen. Hatch). Advantage loses sight of the fact that the provisions of the Lanham Act should be interpreted reasonably broadly in favor of the owner of the famous mark, if the purpose of the Act is to be followed. In the present situation, Enterprise is the owner of the famous mark. As such, in balancing the equities, the Lanham Act should be interpreted to provide protection to Enterprise's famous mark and corresponding trademark registration.

B. No Trademark Registration for Advantage

Enterprise asserted state anti-dilution laws in the Opposition against Advantage's trademark application. At every turn, Advantage repeats and trumpets the stated intent of the relevant chapter of the Lanham Act is to "protect **registered** marks." *Advantage's Brief In Opposition, p. 8,* 15 U.S.C. § 1127. *Emphasis added.* Advantage's corollary argument is that "the FTDA provides that ownership of a valid ***registration*** is a complete bar to an action against the registrant under state common or statutory dilution laws." *Advantage's Brief In Opposition, p. 12* paraphrasing 15 U.S.C. § 1125(c)(3). While Enterprise agrees with Advantage's reading of the statute, Enterprise notes that these provisions are not applicable. Advantage does not have a valid trademark registration.

A valid registration is an explicit condition precedent to the protection afforded under the cited provisions. Advantage has not yet performed that condition precedent. Again, the Lanham Act should encourage early registration for those seeking certainty in nationwide rights. Advantage waited nine-years and therefore provided no guidance to the business community regarding its rights, which, of course, led to the present lengthy and expensive litigation. This entire situation would have been avoided had Advantage filed a registration for its phrase in the early 1990s. Therefore, Advantage should not be handed the protection of a federal registration that is offered by the statutes.

As noted in Enterprise's Petition, the drafters of the Act did not intend to pre-empt state trademark and dilution right. However, the language of 15 U.S.C. § 1125(c)(3) appears to clearly extinguish state remedies upon the issuance of a valid trademark registration, unless such rights can be asserted in the Opposition. ("The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement." 15 U.S.C. § 1125(c)(3)) The only reasonable reading of the statute, in light of the above, is that state trademark rights must have some venue for address ***prior*** to the issuance of a registration.

The perfect vehicle for the hearing of state dilution claims is the Trademark Trial and Appeal Board (TTAB) in the trademark opposition setting. The TTAB is fully equipped to address the issues of dilution. Even Advantage admits that the TTAB can hear federal dilution claims. State dilution involves issues pertinent to all trademark disputes, *i.e.*, distinctiveness or fame. The TTAB is as equipped to

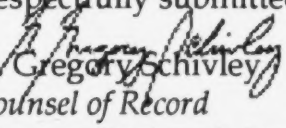
handle these issues as is any federal court. Indeed, it is likely more expert because it only handles trademark issues. Further, the TTAB provides a single place and a single time to address these state issues rather than the continuous litigation that Advantage claims to abhor.

Finally, it must be noted that without an opportunity to address state dilution at the TTAB and opposition proceedings, the valuable state trademark protections are extinguished under 15 U.S.C. § 1125(c)(3). Rather than putting the proverbial cart before the horse and handing Advantage protections that are really only available to trademark registrants, a full and fair hearing must be had at the Opposition level to address the damage that would be caused by extinguishing state rights. If this does not happen, trademark owners lose their rights without an opportunity to present those rights. This is contrary to the plain language of the statute.

CONCLUSION

For all of the forgoing reasons and all the reasons presented in the Petition for Writ of Certiorari, Petitioners respectfully request that its Petition for a Writ of Certiorari be granted.

Respectfully submitted,



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